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MINISTRY OF COMMERCE & INDUSTRY

RESOLUTIONS

TARIFFS

New Delhi, the 6th August, 1955

SUBJECT:—*Prices of Automobiles*

No. 3-T(5)/55.—In their Resolution No. 21(1)-TB/52, dated the 31st May, 1953, the Government of India stated that, for the quick development of the Automobile industry, it was essential to encourage the greater use of vehicles by bringing prices down. As one measure directed towards this end, they reduced the customs duty on several components so that the incidence of duty on a complete C.K.D. pack did not exceed 40 per cent. *ad valorem*. Since then other steps have also been taken. For example, the margin allowed by the manufacturers to their dealers and the mark-up on spare parts prices over the landed cost have, in consultation with the industry, been reduced.

2. In spite of the steps hitherto taken, the net consumer price for automobiles shows no significant decrease. On the contrary, representations have been received from the manufacturers asking for an increase in the selling price of the vehicles on the following grounds:—

- (a) There has been an all-round increase in prices of automobiles in other countries and the manufacturers have to pay a higher price for the raw materials and components which they still have to import;
- (b) the manufacturing costs of components made in the country are often higher than the landed cost of the components which they replace; and
- (c) on account of their small turn-over, their over-heads are high.

3. While Government recognise the force of these points and have allowed an *ad hoc* increase in price where they have been satisfied that a *prima facie* case has been made out, they consider the issue to be of sufficient importance to merit an enquiry by the Tariff Commission under Section 12(d) of the Tariff Commission Act, 1951 (No. L of 1951). The Tariff Commission is accordingly requested to conduct the necessary enquiries and submit its recommendations on:

- (1) What should be the fair ex-works and selling prices of the various types of motor vehicles manufactured in the country, taking into account the present stage of their manufacture;
- (2) how the prices should be revised from time to time as more and more components begin to be produced in the country in accordance with the approved manufacturing programme of the several units.

In conducting the enquiry the Tariff Commission is requested to pay special attention to—

- (a) the extent to which and the manner in which the obligations of the several units under their approved manufacturing programmes have been discharged;
- (b) the further steps that would be necessary to implement them fully; and
- (c) the difficulties, if any, in the way of the full discharge of such obligations in the future and how they should be removed.

No. 36(3)-T.B./54.—The Tariff Commission has submitted its report on the continuance of protection to the Artificial Silk and Cotton and Artificial Silk Mixed Fabrics Industry on the basis of an enquiry undertaken by it under Sections 11(e) and 13 of the Tariff Commission Act, 1951. Its recommendations are as follows:—

- (1) The existing rates of protective duties on the various types of artificial silk fabrics, including fabrics manufactured from staple fibre yarn and other synthetic yarns, should be continued till the 31st December, 1958.
- (2) The request of the artificial silk fabrics industry for the establishment of a Development Council should be given sympathetic consideration.
- (3) In formulating the import control policy, Government should take into account the capacity of the indigenous artificial silk yarn industry, its actual production and the estimate of domestic demand for yarn.
- (4) In framing the import control policy for artificial silk yarn, due account should be taken of the domestic capacity for acetate yarn and actual production of such yarn.
- (5) The import control policy in regard to artificial silk yarn should be so administered as to prevent recurrent shortages of this material.

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- (6) If the proposed liberalisation of import policy does not result in the desired stability of prices of artificial silk yarn, Government should examine the possibility of utilising their powers under the Forward Contracts (Regulation) Act, 1952, to control speculation in artificial silk yarn.
- (7) The domestic requirements of cotton linters should be taken into account while allowing exports.

2. Government accept recommendation (1) and steps will be taken to implement it in due course. As regards recommendation (2), a Development Council for the industry engaged in the manufacture of artificial silk textiles and yarn has been established already.

3. Government also accept recommendations (3), (4) and (5) and will take steps to implement them as far as possible.

4. Government have taken note of recommendations (6) and (7), which will be examined further.

L. K. JHA, Joint Secy.

